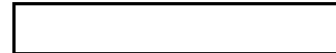


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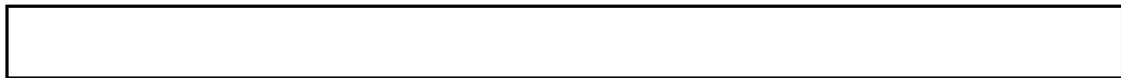
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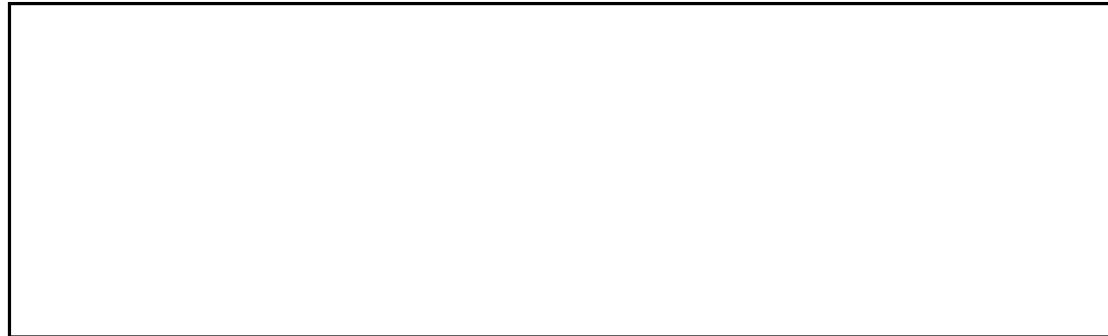
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11. India-Nepal: Deterioration in Indo-Nepali relations checked. (*Page viii*)

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Congo: Reports from Leopoldville indicate that the Adoula-Tshombé talks are likely to continue for some time. At the third session, held on 21 March, the conferees reportedly agreed that any decisions reached would not be subject to ratification by either the Congolese or Katangan parliament. Earlier in the year Tshombé had insisted that the Kitona protocol was subject to ratification in Elisabethville. Adoula is apparently insisting that Tshombé accept the Congo's pre-independence constitution before other substantive economic and political issues are formally discussed. Tshombé, on his part, charges that the constitution, which established a unitary state, was imposed by Brussels and is in conflict with the realities of the Congo situation.

In Elisabethville, where relations between Katanga and the UN Command continue strained, radical elements in the Katanga government are continuing their efforts to block an agreement between Tshombé and Adoula. In contrast to Tshombé's conciliatory posture in Leopoldville, the Katanga radio on 20 March sharply criticized both the central government and the UN and seized upon Adoula's absence from Leopoldville at the time of Tshombé's arrival as evidence of his bad faith.

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Guatemala: The political situation has eased, and student leaders have called off their public demonstrations "to prevent further bloody repression." The railway workers ended their strike, and most public services and businesses were operating normally by 20 March. There continue, however, to be signs of maneuvering in the army. The US army and air attachés expect high-level military changes as the President reassigns officers who wavered in their loyalty to him during the crisis. Defense Minister Peralta may be removed from office. Guerrilla

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activity is continuing in the mountains north of Guatemala City but does not constitute an immediate threat to the regime.

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The American Embassy notes that once the crisis is over, the government will face even greater difficulties than previously in its relations with the non-Communist opposition because of the bitterness aroused during the crisis.

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South Korea: President Yun Po-sun has announced his resignation in protest against a new law limiting the right of civilian politicians to seek elective office to those approved by the military junta. The basic law provides that junta chairman Pak Chong-hui will become acting president.

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Yun's action emphasizes the cleavage between the young military officers who rule South Korea and the older, conservative elements represented by Yun. The conservatives believe that the new law may deny them the opportunity to regain the political power they have traditionally exercised. While the President's resignation emphasizes the difficulties which will face the junta as it moves toward the promised return of the government to civilian control in 1963, Yun's resignation will probably have no serious immediate repercussions.

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India-Nepal: [Public gestures by leaders on both sides appear to have checked the deterioration in Indo-Nepali relations and have paved the way for King Mahendra to visit New Delhi next month. Both sides have reportedly also taken steps to avoid the emotional outbursts and tough talk which have characterized their relations for several months. The Nepali Government has tightly suppressed news of continuing incidents involving Nepali Congress party raiders, both in public media and within the government, and Foreign Minister Tulsi Giri's anti-Indian tirades have been less frequent. New Delhi has again denied meddling in Nepali affairs and has tightened border controls to ensure that armed raiding parties do not cross.]

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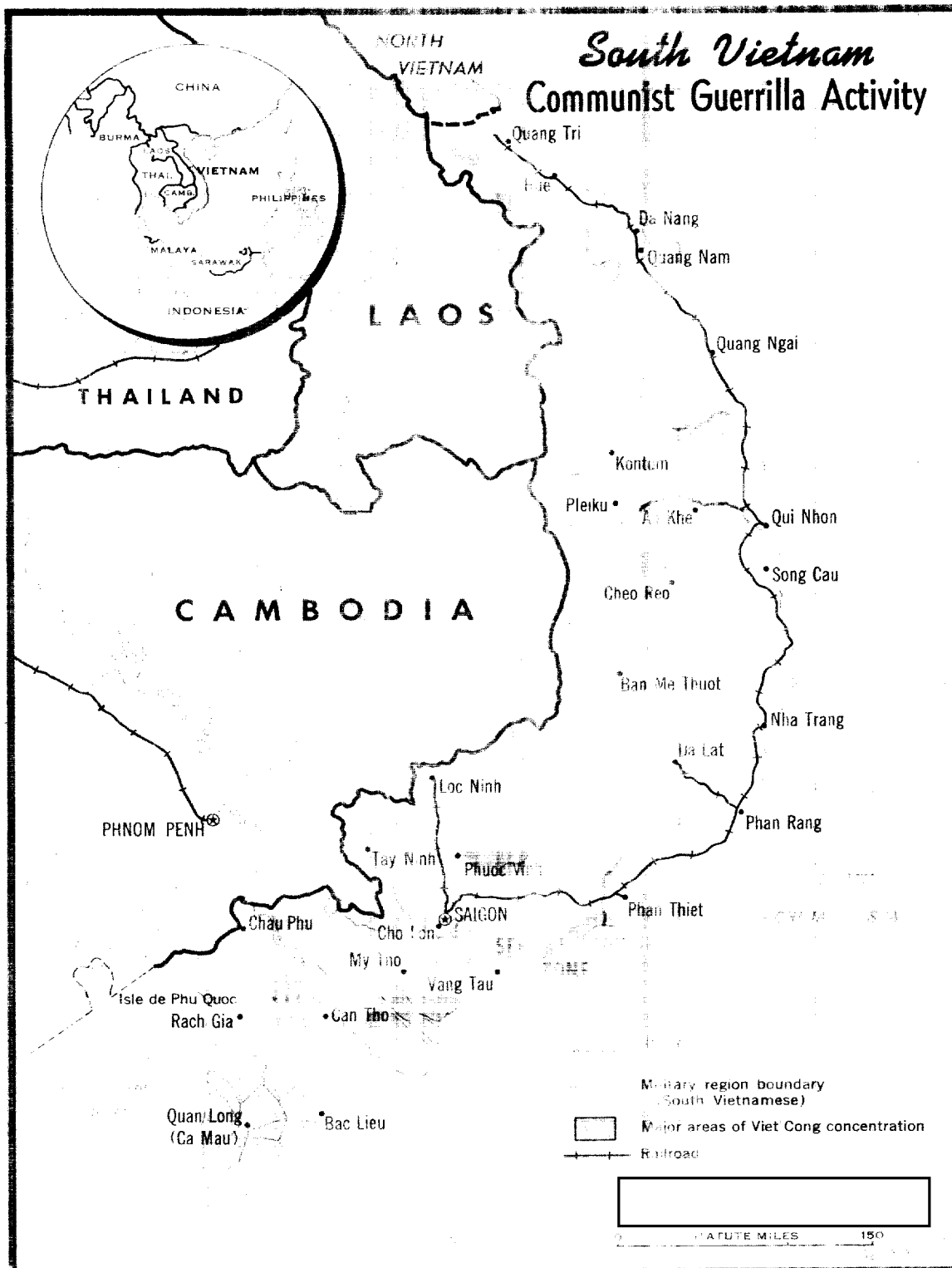
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*South Vietnam: There are tentative reports of enemy airdrops in an area of South Vietnam southwest of Pleiku, near the Cambodian border. On the night of 19-20 March, a joint US - South Vietnamese radar station at Pleiku picked up six unidentified aircraft apparently making airdrops in the vicinity of Route 19; the following night the same radar station noted 20 planes, accompanied by four fighters, making drops in the same area. A trained American at the radar site, commenting on this information from Vietnamese sources, stated that in his opinion the radar actually picked up the items alleged. The aircraft are said to have left the area in the direction of Cambodia.

If further information confirms that these flights actually occurred, it would be the first firm evidence of such support of the Viet Cong in South Vietnam by the bloc. South Vietnamese officials apparently accept the validity of these reports and have already requested the introduction of US interceptor aircraft and antiaircraft weapons into South Vietnam.

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(Map)

Situation Report--Yugoslavia: In an attempt to stem the growing disregard of central authority on the part of regional and special interest groups, the Tito regime called a conference in mid-March of federal and republican party, government, and front organization officials for the announced purpose of taking "resolute steps to guarantee...greater responsibility" of leading officials. Yugoslavia's disavowal of police-state terrorism and adoption of broad economic decentralization and reform programs have encouraged traditionally disparate regional groups, as well as industrial enterprises and trade unions, to oppose various aspects of the central leadership's economic and political policies. No announcement has been made concerning the results of the conference, which discussed these problems; some leaders probably are pressing for a return to more orthodox Communist methods of control, despite the possibility that such a move could increase internal frictions.

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***Argentina:** Disagreements within Peronista ranks and among military leaders have helped President Frondizi maintain an uneasy balance, but he is still under strong pressure from both sides. Peronista labor leaders have called a general strike to begin on 23 March to protest the government's action annulling Peronista electoral victories and barring future Peronista political activity, but Cardinal Caggiano has been trying to dissuade the labor leaders from taking this step. Not all Peronista unions have yet decided to go along with the strike, and the equally strong independents oppose it. Nevertheless, the Peronistas' recent threats to use force to defend their electoral gains are causing the government serious concern, and the military has strong security regulations in force.

The government announced on 21 March that the cabinet ministers who resigned to permit the organization of a joint civilian military cabinet would continue in office until the new cabinet is decided. Frondizi rejected the resignations of the Army, Navy, and Air Force Secretaries which reportedly had been submitted because some military groups had strongly criticized the agreement they negotiated with Frondizi. [REDACTED]

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CONCLUSIONS OF SPECIAL USIB SUBCOMMITTEE ON BERLIN SITUATION

The United States Intelligence Board has approved the following conclusions reached by its Special Berlin Subcommittee which reviewed the situation for the period 7 through 20 March 1962:

1. The restrained tone and the contents of Khrushchev's recent public statement on Berlin and other Soviet commentaries indicate that Moscow:
 - a. Intends to leave the door open to a negotiated settlement;
 - b. Has no definite timetable;
 - c. Probably regards the current conversations in Geneva as a possible point of departure for broader and more serious negotiations on Berlin which could then lead to a summit meeting.
2. Soviet actions in the air corridors, during the next week or so, may serve as an indicator of Moscow's future tactics. The pattern of Soviet activity in the past few days seems to reflect Moscow's awareness that its actions could jeopardize the informal talks at Geneva. However, it appears likely that the Soviets will continue to use a wide variety of techniques in an attempt to bring about some changes in corridor flight procedures and the methods of operation at BASC, regardless of the over-all political situation.
3. West Berlin does not yet appear to have been affected by the Soviet campaign against air access to the city. However,

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political, press, and intellectual leaders in the city are concerned with the Western Allied reaction to the Soviet challenge.

4. West Berlin economic indicators continue to be generally favorable. Arrivals of persons in West Berlin have, for the first time since last August, exceeded departures. Air travel to the city, moreover, increased substantially in February despite Soviet harassing activities in the corridors. Pan American, for example, scored a 34.8-percent increase in passenger traffic over the same month a year ago. West German governmental circles reflect support for additional economic assistance to West Berlin, but business circles reportedly display some lack of interest.

5. The SED central committee may soon hold a plenary meeting at which measures could be adopted to reorganize the economy and reduce the strain on the regime's limited financial resources. There are indications that there may be extensive dismissals from the government and party apparatus. Sabotage, especially in the countryside, and recurrent labor unrest apparently continue to plague the regime.

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WATCH COMMITTEE CONCLUSIONS

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[On the basis of findings by its Watch Committee, the United States Intelligence Board concludes that]

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[No Sino-Soviet bloc country intends deliberately to initiate direct military action in the immediate future]

LAOS: [Although the negotiations are stalemated, we do not see indications that the Communists intend to renew major hostilities in the immediate future.]

SOUTH VIETNAM: [Despite vigorous government military operations, the Viet Cong continue aggressive operations against lines of communications and isolated guard posts. The Soviet statement of 17 March appears to be no more than an intensification of bloc propaganda against United States assistance to South Vietnam.]

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NATIONAL INTELLIGENCE ESTIMATES

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[The United States Intelligence Board on 21 March approved the following National Intelligence Estimate]

[NIE 85-62: "The Situation and Prospects in Cuba," dated 21 March 1962, classified]

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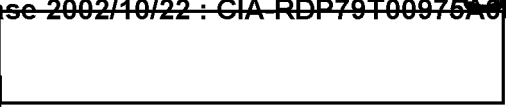
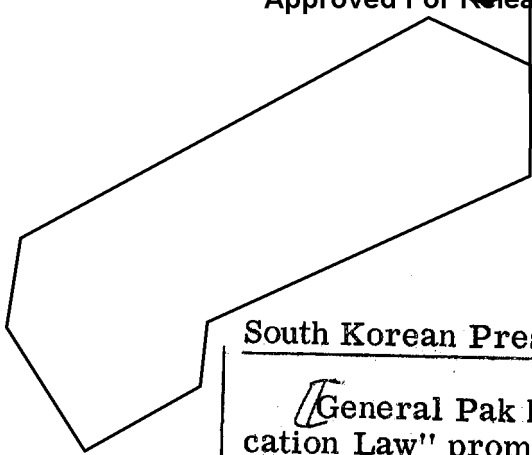
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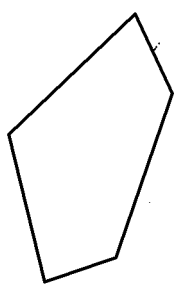
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South Korean President Submits Resignation

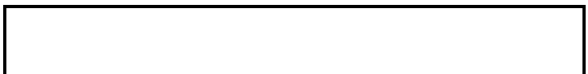
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[General Pak has announced that the "Political Purification Law" promulgated on 16 March is intended to impose a minimum of restriction on politicians. The law is designed to assure continued political control by the military junta beyond the promised deadline for return to civilian government by disqualifying allegedly corrupt civilian political elements from elective office. It requires those desiring to seek election to apply for clearance from a seven-man board made up of members of the Supreme Council for National Reconstruction. In order to forestall public apprehension, Supreme Council chairman Gen. Pak Chong-hui has explained that those who are rejected do not lose their civil rights and are invited to serve the revolution in nonelective capacities--administrative, economic, cultural, and social affairs.]

[The junta leadership as well as two prominent national figures, former provisional prime minister Ho Chong and retired Lt. Gen. Kim Chong-yul, onetime minister of defense, have noted that the degree of severity of the screening will determine the junta's prospects for gaining the politicians' cooperation. Security chief Col. Kim Chong-pil has indicated that the regime intends to apply the measure with restraint and has estimated that about 1,000 persons will be adversely affected; some 800 adherents of ex-President Rhee were deprived of their civil rights by the former Chang Myon administration.]

[The "purification" appears likely to fall most heavily on members of deposed Prime Minister Chang Myon's Democratic party and President Yun Po-sun's New Democratic party. The New Democrats, because they opposed the Chang Myon government, have regarded their party as the most likely to benefit.]



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[When civilian authority is restored. Yun's decision to submit his resignation probably was designed to bring pressure on the junta to protect his party's prospects. He apparently was also giving vent to his own frustration.]

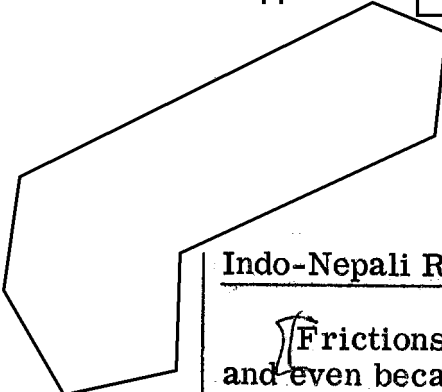
[Politically sophisticated South Koreans probably have expected for some time that the military regime would seek to retain some measure of control after a return to civilian government. The extent of control implied in the Purification Law will further disillusion those who are anxious for a return to democratic processes.]

[Students, who took to the streets to protest the excesses of the Rhee regime, have been particularly resentful of the arbitrary manner in which educational reforms have been carried out. They more than any other group might be inclined to protest the new law publicly. In the long run, the junta's ability to improve the country's poor economic state will probably determine the public's attitude toward the regime.]

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Indo-Nepali Relations

Frictions are inevitable in Indo-Nepali relations despite-- and even because of--the common cultural and racial heritage of the two nations. In the last few years the Nepalis have become increasingly jealous of their sovereignty and fearful of a reassertion of Indian dominance. Nepali fears have been fed by India's generally imperious policy toward Nepal, its record of meddling in the early 1950s, and the overbearing attitude of Indian officialdom.

Resentment toward India found an outlet and a focus following the establishment of Subarna Shumshere's exile movement in India with the sympathy if not the support of India's ruling party. As the exile movement gathered momentum and its raiders within Nepal became bolder, relations between India and Nepal gradually worsened, and the King accelerated his search for outside support, in the Sino-Soviet bloc and in the West, to balance Indian influence and assert his independence.

The Nepali Congress party, though nationalistic in its own right, shares the Indian socialist tradition. The party has sought, in vain, the full support of the Indian Government. Party leaders had hoped that Nehru might be useful in persuading Mahendra to accede to their demand for at least a partial restitution of representative government. As their armed activity increased, they seemed less interested in a Nehru-Mahendra meeting, feeling that continued Indo-Nepali strains would work in their interest. New Delhi has withheld direct support to the rebels for fear of driving Mahendra into the arms of the Chinese Communists.

However, with elections over, Nehru has addressed himself to the problem for the first time in several months. Just as Nepali Congress successes may have persuaded the King that some Indo-Nepali rapprochement is necessary, so may Nehru now have concluded that Mahendra's accommodations with

25X1 [The Chinese required such a rapprochement. The exile leaders, presumably out of fear that an angered Nehru might abandon them, have reportedly directed their followers to create no embarrassing incidents in India while the King is in New Delhi.]

25X1 [Whatever Nehru says to the King once he arrives in New Delhi, it is clear that a special effort will be required by both Mahendra and Nehru if an effective modus operandi is to be found.]

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Diversity Emerges in Yugoslavia

Perhaps the most important of Tito's problems is the rivalry between the federal government and the six diverse national republics and the autonomous regions in the federal structure. The regime has been unable to produce an acceptable draft of its new constitution; the Slovenian and Macedonian members of the constitutional commission so ably defended "states' rights" that the existing draft was discarded in January.

The opposition voiced by several parliamentary deputies in late December to the regime's 1962 economic plan stemmed from the rivalry between republics of the industrially developed north and those of the backward south. Stimulated by the activities of the Slovenians and Macedonians, the Croats met privately in early March--probably to discuss ways of advancing their own nationalist positions.

A conflict between urban and rural interests has also been growing during the past year. Yugoslavia's industry has been developed at the expense of agriculture. Last year, the regime intended that only agricultural prices should rise in order to give farmers a more equitable return for their labor. However, industrial management and workers' councils also raised industrial prices.

Labor problems created inflationary pressures. The workers' councils, in defiance of regime policy, used their new freedom of action under the economic reform program to raise wages far out of proportion to increases in worker productivity.

Tensions between government and business rose in connection with the regime's changes in the export program. Formerly subsidized enterprises and the local government bodies dependent on them for revenue objected to the increased competition which would permit efficiency and quality to govern profits more closely. The enterprises in effect staged an export strike and, with

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some high-level support, are now lobbying for the restoration of subsidies. The success of the regime's economic reform program depends on a growing volume of exports.

With the growth of competing political forces in Yugoslavia, some officials and organizations are attempting to curry favor with the public. The Yugoslav trade unions and the appropriate committees of both houses of parliament last month openly opposed a regime proposal that the public directly share in the costs of the country's socialized medicine program.

Having discarded open police terror and rigid centralization of the economy, the regime has weakened its control over the diverse forces now in play. The Yugoslav people have for over ten years become accustomed to a gradual relaxation of political repression and gradual growth in their material well-being. They, and probably a substantial number of officials, would not easily accept a return to the police state of ten years ago. ([REDACTED])

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